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SUBJECT: UNGA FIFTH COMMITTEE: US ACHIEVES OBJECTIVES IN SCALES OF ASSESSMENTS

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11. (U) Summary: Shortly before midnight on 23 December 2009, Permanent Representatives from approximately two dozen UN Member States concluded nine hours of negotiations to resolve the impasse over the scales of assessments in the Fifth (Administrative and Budgetary) Committee. The meeting, which was chaired by the President of the General Assembly (PGA), was convened because of deadlock in the Fifth Committee stemming from differences between developed countries and the G-77. Although the Committee ultimately agreed to maintain the current methodologies for the two scales, concessions were made on both scales. On the regular budget scale, the Committee agreed to a review of the scale methodology by the end of the sixty-sixth session in 2012. On the peacekeeping scale, there was an understanding that the Bahamas and Bahrain would remain in level B but would be treated as if they were in level C until 2012. In the end, the U.S. achieved its primary objectives of maintaining the 22-percent ceiling in the regular budget scale and preventing expansion of level C in the PKO scale without breaking with the EU and other Western allies. End Summary.

SETTING THE SCENE

12. (C) U.S. JOINS G7 AND EU TO SEEK FAIRER SCALES OF ASSESSMENTS: Beginning in April, Fifth Committee experts of the G7 (Canada, France, Germany, Italy, Japan, the UK, and the U.S.), joined later by the EU, held a number of meetings to forge a common negotiating position on the scales of assessments. On the regular budget scale, this "like-minded" group agreed to pursue a change to the low per capita income adjustment (LPCIA) element of the methodology to increase the share of the BRIC countries (Brazil, Russia, India, and China) while respecting each others' redlines, e.g. the U.S. redline of maintaining the 22 percent ceiling. On the PKO scale, the group agreed to work towards elimination of the discount applied to the five countries in level C, i.e. Brunei, Kuwait, Qatar, Singapore, and the UAE, while

recognizing that taking such a position might have negative repercussions on the regular budget scale negotiations (see refs. A-F).

¶3. (U) FIFTH COMMITTEE BEGINS DEBATE ON SCALES: The Fifth Committee began its deliberations with formal statements 5 and 6 October during which G-77 representatives declared that they were prepared to immediately adopt the existing methodology for the regular budget scale (see ref. G). The Fifth Committee held informal consultations until 19 October, when it turned its attention to other items on the agenda. On 20 November, the Committee resumed its discussion on scales with the presentation of proposals on the two scales resolutions during informal consultations.

¶4. (U) G-77 PROPOSES TO LIFT CEILING WHILE LIKE-MINDED GROUP ATTACKS THE BRIC: On the regular budget scale, the G-77 proposed to restore the ceiling to 25 percent because (1) the ceiling represented "a fundamental source of distortion" in the scale methodology and (2) the continued failure of the U.S. to fulfill its promise, made in 2000 when the ceiling was lowered to 22 percent, to satisfy its financial obligations to the UN. The EU, represented by Sweden, France, and Romania, proposed a reduction of the LPCIA discount for the BRIC and redistribution of the savings resulting from this reduction between developed and developing countries. Russia proposed relaxing the criteria for applying price-adjusted rates of exchange in lieu of market exchange rates. Mexico and Tajikistan also presented proposals, but these generated very little discussion in the Committee (see ref. H).

¶5. (U) PKO SCALE PROPOSALS FOCUS ON LEVEL C: On the PKO scale, the G-77 proposed inclusion of the Bahamas and Bahrain, which had graduated into level B in 2004 from levels D and E respectively, into level C and establishment of level C as the highest assessment level for developing countries. The U.S. put forth two options (1) to eliminate level C outright or (2) to maintain the status quo regarding level C, while initially indicating a strong preference for the former (see ref. H).

¶6. (U) IMPASSE IN THE FIFTH COMMITTEE: By the beginning of December, it was clear that both sets of negotiations were deadlocked. While the like-minded group, led by the EU, vigorously pursued LPCIA redistribution on the regular budget, the G-77 not only steadfastly opposed the proposal, saying that it was both arbitrary and discriminatory, but also accused the EU of trying to bribe G-77 members into breaking solidarity. The G-77 also continued to attack the ceiling, claiming that the ceiling -- and not the LPCIA -- was the largest source of distortion in the scale methodology. While the U.S. and others argued that the Organization has always had a ceiling to prevent its overreliance upon any one Member State, the G-77 responded that a ceiling of 25 percent would still serve that purpose (see ref. I). On the PKO scale, the G-77 proposal was opposed by the like-minded group, which engaged the G-77 in many heated discussions primarily over the definition of "developing country". In an effort to reach out to the G-77, the U.S. proposed to maintain the status quo while the General Assembly conducted a review of the structure of levels. While the G-77 was generally receptive to the U.S. proposal, it continued to insist on the inclusion of the Bahamas and Bahrain in level C.

¶7. (C) TENSIONS RISE WITHIN THE LIKE-MINDED GROUP: As the Fifth Committee deliberations progressed, the like-minded group -- which expanded to include the Republic of Korea and Mexico -- continued holding expert-level consultations. Within the group, it was apparent that, despite a concerted demarche campaign, the LPCIA redistribution proposal failed to gain any traction amongst G-77 members. The U.S. and other members of the group expressed concern that the group risked losing control over the issue if it continued to pursue the EU proposal on LPCIA and therefore urged the EU to be flexible and consider more realistic proposals for the

endgame. The U.S. also warned that such flexibility was necessary to ensure that its key interest -- the ceiling -- was adequately protected. The unity of the group was maintained when the EU agreed to consider a "status quo plus" option for the endgame. On 17 December, the group drafted a proposal to maintain the current methodology of the regular budget scale while calling for a review of the methodology with a view towards a decision on a new scale of assessments in two years. This proposal was submitted privately to the Chairman of the Fifth Committee, Ambassador Peter Maurer of Switzerland, the next morning.

18. (C) CHAIRMAN ATTEMPTS TO BROKER COMPROMISE: In an attempt to broker a compromise on the two scales, the coordinators of the regular budget and PKO scales discussions circulated draft proposals on 20 December that would maintain the current methodologies of the scales for the period 2010-2012 while calling for comprehensive reviews of the scale methodologies in the interim. These proposals were based on the language privately submitted to the Chairman by the like-minded group but included amendments made by the Chairman to better take into account the positions of other delegations. However, the G-77, Russia, and Tajikistan rejected the proposal as not going far enough to address their concerns. The EU also raised concerns and said that they would have to discuss the proposal internally. In private, EU negotiators told USUN that they were unhappy with the Chairman's amendments.

HIGH-LEVEL MEETINGS CONVENED TO RESOLVE DEADLOCK

19. (U) G-77 SNUBS PGA AT HIGH-LEVEL MEETING: On 22 December, over two weeks after the Committee was originally scheduled to complete its work, the PGA, Ali Treki of Libya, intervened

at the request of the Chairman to resolve the impasse. That afternoon, the PGA called for a meeting at the Permanent Representative (PR) level of the delegations that had submitted proposals on the scales in the Fifth Committee in order to try to break the deadlock. However, PRs from the G-77 refused to attend the meeting, reiterating their longstanding position concerning decision-making in "small-group configurations". By this time, however, it was widely recognized that the scales could no longer be negotiated at the Fifth Committee expert level. The PGA met separately that evening with G-77 PRs to express his displeasure at their boycott and subsequently called for a second PR-level meeting for 23 December, involving a broader range of Member States, in order to reach a compromise.

10. (U) PERM REPS CONVENE TO DELIBERATE ON SCALES: At 3:00 in the afternoon on 23 December, two dozen PRs and DPRs took their places around the ring-shaped table in Conference Room 8 in the basement of the General Assembly building. The rest of the chamber was packed with Fifth Committee experts, with even more waiting outside. At one point during the negotiations on the regular budget scale, the PGA, expressing frustration that PRs could not engage in fruitful discussion in the presence of Fifth Committee experts, threw everyone who did not hold ambassadorial rank out of the room. The two scales were then discussed ad seriatum, starting with negotiations on the regular budget scale.

11. (U) REGULAR BUDGET SCALE: PERM REPS AGREE ON "STATUS QUO PLUS": Discussion at the PR meeting focused on a draft proposal presented by the Chairman on 22 December that further refined the compromise proposals circulated on 20 December to take into account the concerns raised. All delegations agreed to a "status quo plus" option, though the G-77 called for deletion of the "plus" paragraphs which the EU considered to be essential (paragraphs 7-9 of draft resolution L.24). In the end all of these paragraphs were retained, albeit in a modified form to satisfy G-77 concerns. To address the fundamental EU concerns, the final text called for the General Assembly to review all elements of the methodology with a view to a decision on the methodology

before the end of the sixty-sixth session. If agreed, the decision on the methodology would go into effect for the 2013-2015 scale of assessments. This compromise, however, was unacceptable to Russia and a number of other former Soviet republics because it did not include the Russian proposal on exchange rates. These delegations signaled that they would call for a vote on the Russian proposal when the regular budget scale resolution came before the Fifth Committee (see para. 13 below).

¶12. (SBU) PKO SCALE: MUCH ADO ABOUT THE BAHAMAS AND BAHRAIN:
On the PKO scale, the G-77 remained adamant about the inclusion of the Bahamas and Bahrain into level C. In private, both the Bahamas and Bahrain admitted to USUN that they did not need the 7.5 percent discount associated with level C but that they could not accept having the current five members of level C getting a better deal than they were getting. The U.S. suggested the possibility of providing some kind of relief to the two countries for three years while the structure of levels was being reviewed, a proposal that was reluctantly agreed to by France and the UK. Although some G-77 experts were initially lukewarm about the proposal, their tune changed after the U.S. suggested that the G-77 needed to get its act together or it risked having the offer being withdrawn, as had been threatened by the UK PR. After intense negotiations on how to provide this relief without setting a precedent, a compromise was reached by which both the Bahamas and Bahrain would technically remain in level B but would be treated as if they were members of level C and provided with the associated 7.5 percent discount for the 2010-2012 scale period. However, it was agreed that this arrangement would not be implemented as part of the PKO scale resolution but rather as a decision of the GA to be reflected by official statements on the record by both the Chairman and the PGA as well as in a letter to be circulated by the PGA.
(Note: this letter was sent to Member States on 6 January 2010. End note)

ADOPTING THE COMPROMISE

¶13. (U) RUSSIA AND OTHERS BREAK CONSENSUS ON REGULAR BUDGET SCALE: It was not until shortly before midnight that the figurative "white smoke" appeared and the PR conclave finally reached agreement on the two scales of assessments. The Fifth Committee convened formally at 1:00 AM to approve all pending draft resolutions, including the two draft resolutions on the scales of assessments. On the regular budget scale, the Russian delegation submitted its original proposal on exchange rates as an amendment. Russia had little to show for a vigorous demarche campaign it conducted in G-77 capitals during the preceding week, as the amendment was soundly defeated by a vote of 22 in favor, including China; 85 opposed; and 27 abstentions, including Brazil and India. Although the regular budget scale resolution was subsequently adopted in the Committee without a vote, Russia, Ukraine, and Belarus made statements disassociating themselves from the consensus and expressing grave concern that the Fifth Committee had adopted a resolution as fundamental as the scales of assessment without having first reached a consensus.

¶14. (U) CHAIRMAN AND PGA ISSUE STATEMENTS ABOUT THE BAHAMAS AND BAHRAIN: On the PKO scale, the Chairman of the Fifth Committee issued a statement, as agreed during the PR meeting, indicating that the Bahamas and Bahrain would be treated as level C countries for the scale of assessments for the period 2010-2012 even though they would technically remain members of level B. When the General Assembly convened at 3 AM to adopt, *inter alia*, the resolutions of the Fifth Committee, the PGA made a similar statement. Both scales were adopted by the General Assembly shortly after 4 in the morning on Christmas Eve.

CONCLUSION

¶15. (SBU) USUN achieved all of its principal goals in the scales of assessments negotiations. On the regular budget, we maintained the 22 percent ceiling for at least three more years without having to break ranks with the EU and other western colleagues. On the PKO scale we successfully thwarted the G-77 attempt to open level C up to all G-77 members.

¶16. (SBU) Comment. The EU was very frustrated and unhappy with its failure once again to change the methodology for the regular budget scale to reduce its high collective assessment (some 10 percent higher than its share of world GNI) by forcing the BRIC to shoulder a greater share of the budget commensurate with their growing economic strength and political influence. Since the high EU assessment is the result of both the LPCIA and ceiling, and because of previous challenges by both the EU and the G-77 to the ceiling, the review of the regular budget scale methodology is likely to examine the ceiling in some form. Regarding the PKO scale, the G-77 remains committed to establishing level C as the highest level for developing countries but are prepared to consider alternatives based on the review of the structure of assessment levels. The question remains how the U.S. will address both of these reviews and what decisions will confront the GA on the two scales. End comment.

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